



# U.S.-KOREA TRADE AGREEMENT

## Pennsylvania Farmers Will Benefit

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December 2010

The U.S.-Korea Trade Agreement, known as the KORUS agreement, will immediately eliminate duties on nearly two-thirds of current U.S. agricultural exports and gives U.S. exporters improved access to the Korean market for many products that have been highly protected. The U.S. International Trade Commission estimates that annual U.S. agricultural exports to Korea will increase by a minimum of \$1.9 billion upon full implementation of the agreement.

The KORUS agreement eliminates tariffs and other barriers on most agricultural products, increasing export opportunities for a range of Pennsylvania agricultural products, including dairy, beef, mushrooms, and poultry. Pennsylvania's agricultural exports to all countries, estimated at \$1.7 billion in 2009, supported about 13,850 jobs, on and off the farm. These export sales make an important contribution to the Pennsylvania farm economy, which had total cash receipts of \$5.0 billion in 2009.

**Dairy Products.** As the nation's seventh largest dairy exporter, Pennsylvania's farm cash receipts totaled \$1.5 billion in 2009, or 30 percent of the state's total. Among the KORUS agreement's benefits to Pennsylvania's dairy producers and processors:

- Duty-free tariff-rate quotas (TRQ) will be established for cheese, skim/whole milk powder, food whey, and butter.
- U.S. feed whey exports, which totaled \$8 million in 2009, will gain duty-free access to the Korean market immediately upon implementation.

**Cattle and Beef.** The cattle and calf industry generated cash receipts of \$414 million in 2009 and is the third largest source of cash receipts in the state. Under the KORUS agreement:

- For beef muscle meats, the KORUS agreement provides a 15-year straight-line tariff phase out of the 40 percent tariff reaching duty-free access in Year 15.
- For beef offals and variety meats, the KORUS agreement provides a 15-year straight-line phase out of the 18 percent tariff reaching duty-free access in Year 15.

**Mushrooms.** Mushrooms were Pennsylvania's second largest source of farm cash receipts with sales totaling \$462 million in 2009. Under the KORUS agreement:

- Korea's 30-percent tariff on dried mushrooms will be phased out over a 5-year period. This will give U.S. exporters of these products improved access to the \$10 million Korean dried mushroom import market.
- Most other types of mushrooms will have tariffs phased out over 10 years.

**Poultry and Egg Products.** The broiler industry's farm cash receipts totaled \$392 million in 2009 and egg cash receipts generated another \$365 million. The KORUS agreement will provide many benefits to the poultry and egg industry.

- Korea's tariffs of 18 to 27 percent on frozen leg quarters, frozen breasts and wings, and frozen turkey cuts, will be phased out in 7-12 years.
- As the number 2 market for U.S. egg products, Korean tariffs of 27 percent on egg products, including egg yolks, will be phased out in 12 equal annual reductions.

**Grape Juice and Wine.** Korea's tariffs of 45 percent on grape juice and 15 percent on wine will be eliminated immediately under the agreement, and Pennsylvania's producers of these beverages will benefit as a result of this new market access.

<b>Selected Agricultural Product Exports For FY 2009 (Oct. 2008-Sept. 2009)</b>		
<b>Product</b>	<b>U.S. to World</b>	<b>Pennsylvania to World</b>
<b>Dairy Products</b>	\$2,335,000,000	\$82,000,000
<b>Cattle and Beef</b>	\$6,703,000,000	\$161,000,000
<b>Mushrooms</b>	\$42,000,000	\$14,000,000
<b>Poultry and Egg Products</b>	\$4,850,000,000	\$159,000,000
<b>Grape Juice and Wine</b>	\$964,000,000	\$1,000,000
<b>Agricultural Total</b>	\$96,632,000,000	\$1,732,000,000

*Compiled by ERS using data from Census Bureau, Commerce and NASS.*

*Note:* All State export figures used herein are estimated on a fiscal year basis (October-September) by USDA's Economic Research Service (ERS); all State cash receipt figures are compiled by USDA's National Agricultural Statistics Service (NASS) and ERS on a calendar year basis.

For questions about the U.S.-Korea Trade Agreement and its impact on U.S. agriculture, please contact FAS Legislative and Public Affairs at (202)720-7115 or [LPA@fas.usda.gov](mailto:LPA@fas.usda.gov).